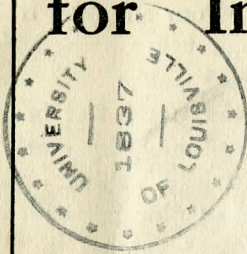
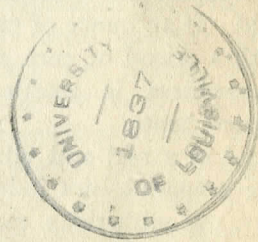


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Commercial Preparedness for International Peace.



*By Franklin W. Hobbs,
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An Address before the Fourteenth Annual Con-
vention of The National Wholesale Dry
Goods Association, January 17, 1918.

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It is a great privilege to speak today at the Fourteenth Annual Convention of the National Wholesale Dry Goods Association. Your secretary suggested as the subject of my talk, "Commercial Preparedness for International Peace." There is no more appropriate topic at the present time.

Peace and Preparedness! From the hearthfires of millions of homes rise prayers for peace. The cannon on a thousand battlefields flash the message: "We are fighting for a lasting peace." The purpose of America in this war is to "carry on" until peace is won through victory, and war is banished from the world.

We know now that the advocates of preparedness were right; that this country was at the threshold of its greatest trial; that we must meet force with force, gun with gun, or submit to a ruthless power intent upon the domination of the world. If an ounce of prevention is worth a pound of cure, an ounce of preparedness is worth a ton of frenzied haste.

And in a real and vital sense we were prepared—not indeed with an army, not with rifles, machine guns nor artillery; but we had that great essential, the means of producing munitions and supplies.

Call it providential, if you will, or call it statesmanlike foresight, we have developed the real facilities of national and industrial independence—not completely, because this wise policy has not been

completely applied nor continuously followed. We have not maintained, for instance, a consistent policy of protection of our shipping. Formerly, under a policy of national support of our shipping over 90 per cent of our ocean borne commerce was carried under our own flag, but when the world war broke out and our need and the world's need of American ships was greatest, less than nine per cent of our commerce was carried in our own ships. And today because free trade principles were applied to our shipping we find ourselves unprepared to make our power felt and render our Allies the full measure of assistance which their safety and the safety of the world demands.

There have been many in our midst who believed that we should not, as a matter of national policy, attempt to develop our industries but that we should buy in the cheapest markets of the world and let trade follow the lines of least resistance. In times like these, however, the doctrine of trading in the markets of the world, of depending upon others for necessary supplies, is shorn of its sophistry. The suddenness and unexpectedness of the war has taught us the need of national industrial independence. Fortunately, for our present requirements, we have had a national policy favoring the systematic development of our resources and to that policy is due in a large measure our ability now to

take our part in the war. Without the aid of our agricultural and industrial resources our Allies could not have continued the struggle and now that we have entered into it those same resources will eventually prove to be the decisive factor in winning the war.

It is a great satisfaction to those who have withstood the unfriendly criticism to which the textile industries have been subjected at times to realize that it is these same textile mills which have been able to provide our Army and Navy with clothing and many other needed supplies which otherwise they could not have obtained today. It is indeed a matter of national congratulation that we have the mills, the skilled labor and the experience required to give our nation what it so greatly needs in its hour of trial.

Patrick Henry, in one of his stirring speeches just before the American Revolution, said: "I have but one lamp by which my feet are guided, and that is the lamp of experience. I know no way of judging the future but by the past." Those words spoken over one hundred and forty years ago are just as true today and I know of no better way to consider and understand the conditions that will confront us in our business in the future than to consider and understand the conditions that we have been through in the past. Our memories are short and we soon forget our trials and troubles. Let us recall, however, the severe general business depression in this country in 1913 to 1915, the most recent of those

periods during which we witnessed a change in our national industrial policy. This condition of depression existed in all business, but it was especially felt in the textile industries. The Underwood-Simmons revenue bill was passed Oct. 3, 1913, and its wool schedule went into effect January 1, 1914.

As might have been expected, it bore very heavily upon all our textile industries in the nine months of its normal operation before the great war began. You will remember, for example, that imports of woolen cloths and dress goods had increased 300 or 400 per cent in the period between January 1 and August 1, 1914, over the average imports of the same months of several years preceding. You will recall that one-third of all the machinery in the American wooler and worsted mills was idle and one-third of their workers were unemployed. Not only were the textile mills idle, but depression was widespread in all lines of business.

It was estimated that in New York City alone 400,000 people were walking the streets, out of work, looking for jobs. This was only the beginning of the effects of hurried radical revenue legislation, which, as Chairman Underwood frankly said at the time, was framed with no thought of, or reference to, the protection or development of American business. But perhaps the worst consequences of this Tariff Act of October 3, 1913, were due not to an immediate and great increase in the importations of competing foreign goods, but

rather to the general feeling of industrial discouragement which paralyzed all trades and sharply reduced the entire purchasing power of the American people. The Underwood-Simmons law, with all its gross inequalities and glaring sectional discriminations, had been passed against the judgment of the business men of the entire United States. It was plainly seen and pointed out that it could prove beneficial to nobody but the manufacturers of Europe. Progressive business men of the South had fought it and were ashamed of it. Nevertheless, the bill was passed and became the law of the land. I have already indicated the disastrous results that followed in the few months in which its operation was effective. The country was headed for financial and business disaster and but for the outbreak of the European war, August 1, 1914, offsetting some of the consequences of the law and concealing others, the men and party responsible for that law would undoubtedly have received as severe a rebuke as had ever been recorded in our political history.

The great war, however, intervened, and as long as it continues our country will be practically on a protective tariff basis as far as Europe is concerned. For the time being it may be said that the operation of the Underwood-Simmons law is suspended. Fortunately for us the war has made the law well nigh a dead letter in the statute books of the nation. It is high time, however, for thoughtful men

to consider what our national economic policy is to be when the war comes to an end, for this, it seems to me, is the key to "Commercial Preparedness for International Peace."

As a result of the great war, we find the whole country busier than ever before in its history. This is especially true in the textile industry and is due in part to the enormous orders placed by our government and our Allies for our products, and in part to the fact that we have had such small imports of textile fabrics since the great war began and our manufacturers have had the home market. The great problem that we must now consider is to arrange our national policy, so that the business prosperity we have now may continue and the home market be preserved; in other words, so that our present industrial independence may be continued and made certain for the future.

The present condition of our business is sound. Trade is active on goods for both military and civil uses and will undoubtedly continue in great volume as long as the war lasts, but we must look ahead to the uncertain times that will follow and prepare for them if possible. Some seem to think this is unnecessary now, as the war will last for some years; some think there will be ample time when peace is actually at hand; others are indifferent; still others believe no action is needed at all. I believe, however, it is a fact that neither in Washington nor anywhere is there

any serious comprehensive consideration being given to the great problems which will confront the industries of the nation after the war.

Let us briefly take note of what other nations have already done along the lines of "Commercial Preparedness for International Peace." Many months ago, before our entrance into the great conflict, Great Britain, France and Italy, at a conference held in Paris, determined to adopt an emphatic, joint, protectionist policy toward the Central Powers, a policy of high duties on all goods from Germany and Austria after the war, with lower preferential rates among the Allies on their own products. The United States was not a party to this conference and if we cling to the Underwood-Simmons policy of tariff for revenue only, or its equivalent—free trade—we shall be alone among the nations of the world in such a policy.

A policy of this kind would undoubtedly mean commercial and national suicide. We would not only be subjected to the intense competition of the nations now our Allies, but Germany and Austria, barred out of the markets of the British Empire, of France and of Italy, would at once concentrate all their powers of commercial penetration on the United States. Their manufacturers, with their powerful cartels or trusts, backed by all the power and influence of their government, would be in a position to override the low Underwood-Simmons tariff rates if they are allowed

to continue on the statute books and we do not prepare for the commercial battle ahead of us, as their armies overwhelmed unprepared and defenceless Belgium. It is true that many Teuton soldiers will have perished, but the vast majority will survive the war. It is a profoundly significant fact that women and girls have already successfully replaced men in many of their industries and that their labor cost of production is now said to be actually lower than before the war. These remarks apply with especial force to the textile industry which has been augmented and reinforced by huge amounts of captured machinery, the spoils of Belgium and Northern France.

It is certain that Germany and Austria will be in desperate straits for foreign markets, and the greatest and richest markets in the world will be those of America. As I have already said, our Allies have banded themselves together in a league for after war industrial defence, and they will use every effort to secure all our trade that they possibly can, although naturally little is said about it at the present time. German leaders, however, have publicly boasted of their purpose to "Make America pay for the war"—to collect a huge indemnity from "the presumptuous Yankees." We are determined they can never do that. But, gentlemen, what German arms cannot secure in war, German trade penetration may be in a position to command after the war has ended, if we do not properly prepare to withstand that at-

tempt on their part. An immense export of German merchandise to the United States might to a great extent recoup the Fatherland for its present losses. It was manifest before the present war that strong German communities in this country, the so-called German-American States, which in the Civil War and thereafter had been Republican, were giving Democratic majorities and electing anti-protectionist Senators and Representatives—of whom LaFollette of Wisconsin is a shining example. Senator LaFollette, though once a Republican, voted for the Underwood-Simmons law, which seemed to be earnestly favored by the pronounced German part of his constituents and the German language newspapers of the Middle West and Northwest. Most of the Western men who voted against our entrance into the war had a few years earlier loudly proclaimed their support of a tariff for revenue only.

The German government, German manufacturers and German steamship agents had been conspicuous in remonstrance against all recent protective tariff laws and regulations in the United States. It is now clear that this was a part of their definite trade and commerce propaganda, an attempt to make our laws, as far as possible, in the interest of Germany. Are we to allow such activities to continue? Shall we not arouse ourselves and at least insist that our representatives shall at once see that our interests are protected and safeguarded against the future.

We must not neglect industrial preparedness, as we neglected, for the first two and a half years of this war, military preparedness. It will not do to trust to the idle assumption that the animosities engendered by the war will prevent a resumption of trade with the countries against which we are now fighting.

An incident related by an American observer in Germany well illustrates this point. During the food shortage of 1916 he saw in a Friedrichstrasse window Norwegian sardines, originally prepared for sale in Great Britain. They were called "Our Allies Brand" and bore a bright label which displayed the flags of Great Britain, France, Russia, Italy, Belgium and Japan, and yet they were publicly offered for sale in Germany, in the land where the people salute each other with "Gott strafe England."

J. M. de Beaufort, in his book, entitled "Behind the German Veil," tells of an interview with Dr. Bücher, of the German Colonial Office, which bears upon this point. "'As to destroying our trade,' said Dr. Bucher, 'in five years after the war we shall have it all back again.' He put his hand in his pocket and took out a penknife. 'Do you suppose,' he said, 'anyone is going to pay the English or the Americans sixpence for this knife, when they can buy it from Germany for fivepence? Certainly not.'"

That Germany will endeavor to undersell her competitors in order to regain her lost markets is an ab-

solite certainty; and in this effort German manufacturers will have the utmost co-operation of their government. Herr Ballin, the head of the Hamburg-American Line, declares that "the world will find us as strongly organized for peace as we were organized for war." Arthur von Gwinner, president of the Deutsche Bank, said in an interview with an American journalist: "After the war, as before, the bulk of our trade must be with countries now neutral or enemy and we must seriously consider how to hold and add to this trade in the future. We must make every provision in order to forge rapidly ahead immediately after the close of the war."

According to Herr von Holtzen-dorff, Herr Ballin's right-hand man and the representative of the Hamburg-American Line in all negotiations with the German government: "The Hamburg-American Line is increasing the number of its merchant ships. Every yard we have been able to hire," he says, "is working for us and is employed in building new vessels. We expect after the war that we shall need a much larger tonnage than ever before. We have almost completed two new mammoth steamers of practically the same displacement—60,000 tons—as the Imperator. Besides these two we have about 30 other ships on the stocks, varying in tonnage from 8000 to 30,000. After the war we shall have a new fleet of merchant vessels, and every other steamship company in Germany is following our example."

These and many other such inci-

dents show that Germany, as Herr Ballin said, will be as thoroughly prepared for peace as they were for war. In England, France and Italy similar preparations for the inevitable commercial contest is under way.

What are we doing here? is the vital question. Is our government awake to the situation or is it leaving industrial preparedness to the last moment, as it left military preparedness? It is for the business men of the country to sound the alarm and demand action. There is need to give serious thought right now to the precautions which we must take to save our national industries and maintain our labor and living standards when foreign made goods are again ready to pour into our ports.

Congress has recently created special committees to investigate the conduct of the war, and they are actively at work. Congress should create at once special committees to survey industrial conditions and to determine what shall be done to prevent the United States at the close of the war from becoming the dumping ground of the factories of the world. Business men, organizations like yours, should immediately demand such inquiries, and not only inquiries but the requisite action to secure the results demanded, so that we may have "Commercial Preparedness for International Peace." And, gentlemen, if the present Congress will not grant the action we believe should be taken, then the American people will most assuredly elect a Congress that will.

Let us take to heart the lessons of the war. We see each day the need of developing our resources to the utmost to help win the war. We must equally face the need of the greatest efficiency and economy in business to help us win the commercial war which will follow. All Europe, our Allies and the Central Powers, have already gone through a period of wonderful development, and greater advances in industrial economy have taken place in three years than had been known in a quarter of a century before. Europe has the most highly trained and most skilled workpeople in its history ready to throw into international trade the moment the war stops.

We must study every possibility that will increase our production, lower our costs, help our business.

I believe it only common prudence and common sense to begin here and now to work out the problems that will inevitably confront us. The sooner we start the better prepared we shall be. It is a matter of business life or death that we take action in time to make certain that we shall preserve our country's business prosperity and industrial safety. To my mind, it is the greatest problem that today confronts the industries of the nation. Let us then all unite and see that proper action is taken so that our national welfare may be assured and we may be in a position to meet the conditions that will confront us at the close of the war. It is the only way to make certain "Commercial Preparedness for International Peace."

